

Message Text

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INFO OCT-01 IO-13 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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PASS AGRICULTURE

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TAGS: EAGR EEC

SUBJECT: THE COMMUNITY'S FUTURE SUGAR POLICY AND THE ISA

REF: (A) EC BRUSSELS 4030; (B) EC BRUSSELS 3795; (C) EC BRUSSELS
4249

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1. SUMMARY. THE COMMISSION RECENTLY SUBMITTED TO THE EC COUNCIL
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OF MINISTERS A MEMORANDUM AND DRAFT COUNCIL RESOLUTION ON THE

COMMUNITY'S FUTURE SUGAR POLICY, ITS IMPORTS FROM DEVELOPING COUNTRIES, AND EC PARTICIPATION IN THE INTERNATIONAL SUGAR AGREEMENT. THE THRUST OF THE COMMISSION MEMORANDUM IS THAT THE COMMUNITY SHOULD LIMIT ITS SUGAR PRODUCTION AND EXPORTS SO AS TO BECOME A NET IMPORTER OF SUGAR. THIS WOULD ENTAIL LIMITING EXPORTS TO 800,000 METRIC TONS AND IMPORTING A TOTAL OF 1.4 MILLION METRIC TONS FROM DEVELOPING COMMONWEALTH COUNTRIES AND SOME ASSOCIATED AFRICAN COUNTRIES. HOWEVER, SINCE PROVISION FOR IMPORTING 1.4 MILLION TONS WOULD BE ESSENTIALLY A CONTINUATION OF PRESENT ARRANGEMENTS, THE SIX ORIGINAL MEMBER STATES WOULD IN FACT REMAIN NET EXPORTERS OF SUGAR WHILE THE U. K. WOULD REMAIN A MAJOR IMPORTER. THE COMMISSION'S PROPOSALS HAVE BEEN STRONGLY ATTACKED BY FRANCE AS WELL AS BY EC BEET GROWERS IN PART BECAUSE, WITH ENLARGEMENT, THEY HAD HOPED TO CAPTURE A SIGNIFICANT PART OF THE U. K. MARKET. END SUMMARY. END LIMITED OFFICIAL USE.

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2. AS REPORTED IN REF.A., THE COMMISSION RECENTLY SUBMITTED TO THE EC COUNCIL A MEMORANDUM, INCLUDING A DRAFT COUNCIL RESOLUTION, ON THE FUTURE SUGAR POLICY OF THE COMMUNITY. THIS MEMO SETS FORTH THE COMMISSION'S SUGGESTIONS FOR RESOLVING THREE RELATED, AND POTENTIALLY EXPLOSIVE, ISSUES: (A) THE CAP FOR SUGAR BEGINNING ON JULY 1, 1975 (THE PRESENT CAP FOR SUGAR CONSISTS OF TEMPORARY PRODUCTION ARRANGEMENTS WHICH ARE VALID UNTIL THE END OF THE 1974/75 MARKETING YEAR); (B) THE COMMUNITY'S POSITION ON THE NEGOTIATION OF IMPORT ARRANGEMENTS FOR SUGAR FROM THE DEVELOPING COUNTRIES SPECIFIED IN PROTOCOL NO.22 TO THE ACCESSION TREATY (THE COMMONWEALTH SUGAR AGREEMENT EXPIRES ON DECEMBER 31, 1974 AND THE SECOND YAOUNDE CONVENTION ONE MONTH LATER); (C) THE COMMUNITY'S POSITION VIS-A-VIS THE INTERNATIONAL SUGAR AGREEMENT (THE SECOND SESSION OF THE NEGOTIATIONS FOR A NEW INTERNATIONAL AGREEMENT IS SCHEDULED TO COMMENCE ON SEPTEMBER 10, 1973). THE COMMISSION'S PROPOSALS ON THESE THREE ISSUES ARE SUMMARIZED BELOW.

3. THE FUTURE CAP FOR SUGAR. THE COMMISSION HAS CONCLUDED THAT A PRODUCTION QUOTA SYSTEM FOR SUGAR SHOULD BE MAINTAINED FOR A PERIOD OF FIVE YEARS BEGINNING IN JULY 1975. MEMBER STATES LIMITED OFFICIAL USE

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WOULD NO LONGER BE GIVEN BASE QUANTITIES WHICH IN TURN ARE ALLOCATED TO THE SUGAR MANUFACTURERS ON THEIR TERRITORY. INSTEAD, THE COMMUNITY WOULD ALLOCATE BASE QUOTAS DIRECTLY TO EACH SUGAR MANUFACTURER. THE COMMISSION SUGGESTS THAT THE SUM OF THESE BASE QUOTAS BE LIMITED TO APPROXIMATELY 8.4. MILLION METRIC TONS (AS COMPARED TO THE SUM OF THE CURRENT BASE QUANTITIES OF 7.82 MILLION TONS) REPRESENTING THE DIFFERENCE BETWEEN ESTIMATED EC CONSUMPTION IN 1975/76 OF 9.8 MILLION

TONS AND IMPORTS OF 1.4 MILLION TONS FROM THE COMMONWEALTH
(AND SOME ASSOCIATED AFRICAN) COUNTRIES.

4. MAXIMUM QUOTAS WOULD CONTINUE TO BE FIXED FOR EACH SUGAR
MANUFACTURER. THE COMMISSION SUGGESTS THAT THESE QUOTAS BE
EQUAL TO BETWEEN 115 PERCENT AND 118 PERCENT (INSTEAD OF
135 PERCENT AT PRESENT) OF THE BASE QUOTAS FOR THE 1975/76
MARKETING YEAR. OUTPUT IN EXCESS OF THE MAXIMUM QUOTA WOULD
CONTINUE TO BE SUBJECT TO A PRODUCTION LEVY TO OFFSET THE COSTS
OF ITS DISPOSAL. PRODUCTION IN EXCESS OF THE MAXIMUM QUOTAS COULD
NOT BE DISPOSED OF EITHER INSIDE OR OUTSIDE THE EC, BUT WOULD
HAVE TO BE CARRIED OVER TO THE FOLLOWING MARKETING YEAR. UNDER
THE PRESENT SYSTEM, SUGAR PRODUCED IN EXCESS OF THE MAXIMUM
QUOTAS CAN BE EXPORTED, BUT WITHOUT THE BENEFIT OF EXPORT SUBSIDIES.

5. IN THE EVENT SHORTAGE, WHICH IS DESCRIBED AS A SITUATION
WHEN THE WORLD MARKET PRICE EXCEEDS A CERTAIN LEVEL WHICH WOULD
BE MARKED BY THE ABOLITION OF EXPORT QUOTAS UNDER THE ISA, THERE
WOULD BE NO MARKETING RESTRICTIONS ON SUGAR.

6. IMPORTS
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8. EXPORT EARNINGS OF THE DEVELOPING COUNTRIES WOULD BE STABILIZED BY THE GRANTING OF "NON-REFUNDABLE COMPENSATION" TO BRIDGE THE GAP BETWEEN A REFERENCE LEVEL OF EARNINGS AND THE ACTUAL LEVEL.

9. COMMUNITY PARTICIPATION IN THE ISA. THE COMMISSION PROPOSES THAT THE COMMUNITY PARTICIPATE IN THE NEW ISA AS A NET IMPORTER. THE COMMUNITY WOULD UNDERTAKE TO LIMIT ITS EXPORTS (TO 800,000 TONS) SO THAT ITS IMPORTS WOULD EXCEED EXPORTS BY AT LEAST 600,000 TONS. HOWEVER, IN THE EVENT OF A WORLD SHORTAGE, THERE SHOULD BE NO QUANTITATIVE RESTRICTIONS ON EC EXPORTS.

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10. THE COMMISSION PROPOSES THAT IN THE ISA THE COMMUNITY SHOULD MAKE CLEAR THAT IT INTENDS TO GIVE THE SAME UNDERTAKINGS AS EXPORTING MEMBERS WITH REGARD TO CONDITIONS OF SALE TO COUNTRIES WHICH ARE NOT MEMBERS OF THE AGREEMENT AND THE SUPPLY GUARANTEES DUE TO THE OTHER IMPORTING MEMBERS, PROVIDING THAT IMPORTING COUNTRIES AGREE TO OBSERVE A MINIMUM PURCHASE PRICE WHEN PRICES ARE LOW ON THE WORLD MARKET.

1. THE COMMISSION FURTHER PROPOSES THAT (A) THE COMMUNITY SHOULD CONTRIBUTE TO PRICE STABILIZATION BY REQUESTING THAT STORAGE MEASURES BE TAKEN BY EXPORTING COUNTRIES AND BY DEVELOPED IMPORTING COUNTRIES; (B) THE COMMUNITY SHOULD HOLD OUT FOR REALISTIC PRICE LEVELS WHICH TAKE ACCOUNT, IN PARTICULAR, OF PRODUCTION COSTS IN REGIONS WHOSE SUGAR PRODUCTION IS NECESSARY TO COVER IMPORT NEED ON THE WORLD MARKET AND OF THE PRICE NOW IN FORCE UNDER SPECIAL ARRANGEMENTS OF THE ISA.

12. EC COMMISSIONER LARDINOIS SUBMITTED THE COMMISSION MEMORANDUM TO, AND DISCUSSED IT WITH, THE COUNCIL OF AGRICULTURAL MINISTERS ON JULY 16 (REF. A) AND FURTHER DISCUSSED IT WITH THE COUNCIL OF FOREIGN MINISTERS ON JULY 23-24 (REF. C). PRELIMINARY REACTIONS BY THE AGRICULTURAL MINISTERS TO THE COMMISSION PROPOSALS RANGED FROM FAVORABLE (BY CODGER, THE BRITISH MINISTER) TO "RIDICULOUS" (RENCH AGRICULTURAL MINISTER CHIRAC). CHIRAC ASKED THE COMMISSION TO WITHDRAW ITS PROPOSALS WHICH IT REFUSED TO DO. THE FRENCH, IN THEIR OBJECTIONS, HAVE STRESSED THEIR BELIEF THAT THE WORLD SUGAR MARKET HAS SWITCHED FROM ONE OF SURPLUS TO SHORTAGE WHICH WILL CONTINUE IN THE FUTURE. THEY WOULD LIKE TO INCREASE THEIR BEET ACREAGE AND THEREFORE VIEW THE COMMISSION'S PROPOSED PRODUCTION RESTRAINTS WITH DISDAIN.

13. THE EUROPEAN BEET GROWERS CONFEDERATION HAS ALSO ATTACKED THE COMMISSION'S PROPOSALS. IT RECOMMENDS THE FOLLOWING POLICIES IN LIEU OF THE COMMISSION'S PROPOSALS: (A) THE EC SHOULD ADHERE

TO THE ISA ONLY AS A NET EXPORTER AND AN EXPORT QUOTA SHOULD BE ESTABLISHED IN RELATION TO THE COMMUNITY'S EXPORT POSSIBILITIES; (B) THE QUANTITY OF PRODUCTION GUARANTEED TO EC PRODUCERS MUST CORRESPOND TO CONSUMPTION; (C) IMPORTS FROM THE DEVELOPING COUNTRIES SHOULD BE OFFSET BY EQUIVALENT RE-EXPORTS. END UNCLASSIFIED.

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14. THERE ARE INDICATIONS THERE MAY BE OBJECTIONS BY SOME MEMBERS OF THE ISA (IN PARTICULAR CANADA) IF THE EC ELECTS TO JOIN AS A NET IMPORTER. ACCORDING TO CANADIAN OFFICIALS HERE, CANADA'S PRELIMINARY OPINION IS THAT THE EC WOULD IN FACT BE A NET EXPORTER AND THUS WOULD HAVE EXPORTING INTERESTS, AND NOT IMPORTING INTERESTS, AT HEART.

15. PROSPECTS DO NOT SEEM BRIGHT FOR RESOLUTION BEFORE SEPTEMBER 10 OF THE THE EC POSITION WITH REGARD TO THE ISA. THE COMMISSION'S PROPOSALS ARE CURRENTLY BEING STUDIED BY THE SPECIAL AGRICULTURAL COMMITTEE (A WORKING GROUP OF THE COUNCIL). AT THIS TIME, THE NEXT REGULAR COUNCIL MEETING (OF FOREIGN MINISTERS) IS SCHEDULED FOR SEPTEMBER 17-19. HOWEVER, IF THE SPECIAL AGRICULTURAL COMMITTEE IS ABLE TO REACH AGREEMENT BY EARLY SEPTEMBER ON A MANDATE FOR THE COMMISSION, COMMUNITY APPROVAL FOR THE MANDATE COULD CONCEIVABLY BE OBTAINED BY WRITTEN PROCEDURE. END LIMITED OFFICIAL USE USE.

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